

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0914-04  
Bill No.: Truly Agreed To and Finally Passed SS for HCS for HB 453  
Subject: Charities; Revenue Dept.; Taxation and Revenue - Income  
Type: Original  
Date: April 12, 2007

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Bill Summary: Would authorize an income tax credit for donations to food pantries and expand allowable contributions to residential treatment agencies.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
General Revenue *	(\$31,188 to \$2,031,188)	(\$32,248 to \$2,032,248)	(\$33,216 to \$2,033,216)
<b>Total Estimated Net Effect on General Revenue Fund *</b>	<b>(\$31,188 to \$2,031,188)</b>	<b>(\$32,248 to \$2,032,248)</b>	<b>(\$33,216 to \$2,033,216)</b>

\* This fiscal note excludes any potential reduction in revenues to the County Foreign Insurance Fund and the County Stock Fund, and to local governments.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	1.0	1.0	1.0
<b>Total Estimated Net Effect on FTE</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Local Government *</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Social Services** (DOS) assume this proposal would have no fiscal impact on their organization.

Officials from the **Office of the Secretary of State** (SOS) stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Revenue** (DOR) assume this proposal would create a new tax credit for any taxpayer who donates cash or food to any local food pantry, to the extent the amounts are not already included in the taxpayer's itemized deductions. The tax credit would be equal to 50% of the value of the donations made, but could not exceed the taxpayer's tax liability for the tax year and could not exceed \$2,500 per taxpayer.

The credit is not refundable or transferable, but could be carried forward for 4 years. The cumulative amount of tax credits to be allocated to all taxpayers by April 15th in any one fiscal year could not exceed \$2 million.

The proposal would also expand the definition of eligible donations for the residential treatment agency tax credit program.

DOR provided the following estimate of fiscal impact:

DOR assumes that Corporate/Franchise Tax would require 1 Tax Processing Technician I to track, apportion, and process the new credit, and Personal Tax would require 1 Tax Processing Technician I for every 4,000 credits claimed.

ASSUMPTION (continued)

Information Technology ITSD/DOR estimates the IT portion of this request could be accomplished with existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement this proposal. ITSD/DOR estimates that this legislation could be implemented utilizing 4 existing CIT III for 2 months and an additional 2 CIT III for 2 months at a cost of \$50,232.

In summary, DOR submitted a cost estimate including 2.0 new FTE and related equipment and expense, totaling \$74,466 for FY 2008, \$78,168 for FY 2009, and \$80,153 for FY 2010. In response to a similar proposal in the previous session (HCS for HB 1581, LR 4345-03), DOR assumed the need for one additional FTE Tax Processing Tech I.

**Oversight** will use the previous DOR assumption, and will further assume that DOR would be able to implement the proposal with existing IT staff. If multiple provisions are enacted requiring additional staffing or if unanticipated costs are incurred, DOR could request resources through the budget process.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional staff to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. In addition, Oversight has reduced certain equipment and expense items in accordance with Office of Administration budget guidelines. Oversight assumes that the relatively small number of additional staff can be located in existing office space.

Oversight will range the fiscal impact of the new tax credit program from \$0 (no taxpayers taking advantage of the tax credit) to the annual cap of \$2,000,000. This tax credit is for tax years beginning on or after January 1, 2007, therefore there could be a reduction in revenue collections in FY 2008.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume there would be no added cost to BAP as a result of this proposal.

This proposal would provide a tax credit of 50% of the value of donations made to local food pantries. The tax credit is limited to \$2,500 per year per taxpayer, and the aggregate amount claimed by all taxpayers is capped at \$2 million per year. The proposal includes a four-year carry forward provision for any amount that is prohibited from being claimed due to the aggregate cap. BAP assumes an annual loss to general and total state revenues of \$2 million.

ASSUMPTION (continued)

This proposal would also expand the definition of eligible donations under the Residential Treatment Agency tax credit program. A taxpayer would be issued tax credits for 50% of the value of the eligible donations. However, the agency is required to remit to the state an amount equal to the amount of credit before the credit is issued. Therefore, this program would have no impact on general and total state revenues.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration** (DIFP) assume this proposal would expand the definition of eligible donations for the residential treatment agency tax credit program and would allow an income tax credit for donations to food pantries.

DIFP officials stated that it is unknown how many insurance companies would choose to participate in this program and take advantage of the tax credits. DIFP can not estimate how much would be lost in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county in which the principal office of the insurer is located.

**Oversight** is unable to estimate the amount of premium tax revenue, if any, that would be offset by the tax credits in this proposal. Oversight will assume for the purposes of this fiscal note that all of the tax credits would result in revenue reductions to the state General Revenue Fund.

**This proposal would reduce Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>GENERAL REVENUE</b>			
<u>Cost - Department of Revenue (DOR)</u>			
Personal Service (1 FTE)	(\$17,820)	(\$22,026)	(\$22,686)
Fringe Benefits	(\$7,851)	(\$9,704)	(\$9,996)
Expense and Equipment	(\$5,517)	(\$518)	(\$534)
<u>Total Costs - DOR</u>	<u>(\$31,188)</u>	<u>(\$32,248)</u>	<u>(\$33,216)</u>
<u>Loss - Department of Revenue</u>			
Tax credits for donations to food pantries *	<u>\$0 to</u> <u>(\$2,000,000)</u>	<u>\$0 to</u> <u>(\$2,000,000)</u>	<u>\$0 to</u> <u>(\$2,000,000)</u>
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE *</b>	<b><u>(\$31,188 to</u> <b><u>\$2,031,088)</u></b></b>	<b><u>\$32,248 to</u> <b><u>\$2,032,248)</u></b></b>	<b><u>(\$33,216 to</u> <b><u>\$2,033,216)</u></b></b>
Estimated Net FTE Effect on General Revenue Fund	1.0	1.0	1.0

\* This fiscal note excludes any potential reduction in revenues to the County Foreign Insurance Fund and the County Stock Fund, and to local governments.

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>LOCAL GOVERNMENTS</b>			
<u>Loss - Department of Revenue</u>			
Tax credits for donations to food pantries *	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT TO LOCAL GOVERNMENTS *</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

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### FISCAL IMPACT - Small Business

This proposal could have a fiscal impact to small businesses which make donations to designated food pantries.

### FISCAL DESCRIPTION

This proposal would authorize an income tax credit for donations to food pantries and residential treatment agencies.

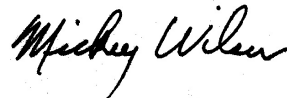
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Office of the Secretary of State  
Office of Administration  
Division of Budget and Planning  
Department of Revenue  
Department of Social Services

### NOT RESPONDING

**Department of Insurance,  
Financial Institutions, and  
Professional Registration**



Mickey Wilson, CPA  
Director  
February 12, 2007